

To the Members of the California State Assembly:

I am returning Assembly Bill 772 without my signature.

I believe that children should be insured but this bill fails to address a critical question: How to pay for it? This bill would cost the state almost a half billion dollars a year without providing a funding source at a time when California has a \$7.5 billion structural deficit.

I have continually stated my interest in providing health coverage to low-income uninsured California children. Consistent with that interest, I have made expanding children's health coverage a top priority in a challenging fiscal time by protecting eligibility for Medi-Cal and the Healthy Families Program (HFP), funding an additional 126,000 children in HFP, and reinstituting community-based certified application assistance to help reach the estimated 428,000 children who are eligible for public programs but not yet enrolled. More broadly, my budget included a \$1 billion increase in funding for health care services for over 7 million low-income Californians already eligible for public programs.

While I share the goal of insuring children in California, I have concerns with certain aspects of the roadmap provided in this legislation and for that reason I am unable to sign AB 772. The measure relies solely on the expansion of state programs as the means to increase health coverage for uninsured children. The measure includes strategies that need to be further analyzed for their relative effect on enrollment, cost effectiveness, and program integrity, and evaluated to ensure that they won't divert resources to administrative processes and investments for already enrolled children. As an example, AB 772 would eliminate documentation and verification requirements for purposes of determining eligibility, despite evidence in other states regarding error rates associated with this approach, the potential for federal disallowances and susceptibility to fraud. Additionally, AB 772 fails to include a funding source for a program that once fully

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implemented is expected to cost in excess of \$820 million dollars (\$444 million General Fund) annually.

Providing access to affordable health coverage for California children has been and will continue to be an important priority for me and my Administration. While progress has been made over the past year in expanding coverage, more needs to be done. My Administration is committed to working with the Legislature and stakeholders to find a solution to this critical priority for California that can be enacted next year, but we must

do so in a manner that the State of California can afford, is funded, and that effectively targets new investments in proven strategies to provide coverage to California children.

For these reasons, I am returning AB 772 without my signature.

Sincerely,

Arnold Schwarzenegger